

E

EASTERN DEPARTMENT

IRAQ

(Security Grading—to be Up-graded where Appropriate)

CONFIDENTIAL

249

E Q 1532/32

FROM

No.

Dated

Received

DEC. 26

(Outward Action)

86) cc) Nos 1085, 1086, 1089,
1090, 1091, 1097, 1096
Treasury, Min. Power, Pet.
Attache Washington. 29/12

78) Tel. Baghdad 1477, 29/12
cc) Min Power Treasury, Washington
29/12

78) Baghdad 1479, Dec 29
cc) Min. Power, Treasury, Washington
1104, 1111 copied as above. 29/12

(Printing Instructions)

(Referred to Legal Adviser)

(Action completed)

(Main Indexed)

7/1/65

30

SUBJECT :

I.P.C. MESSAGES

Encloses Copy of :

References and Relevant Papers :

MINUTES

A) Sir R. ALLEN, Baghdad, 1085 of DEC. 23

MB.

B) Sir R. ALLEN, Baghdad. 1086 of DEC. 23

MB.

C) Sir R. ALLEN, Baghdad. 1089 of DEC. 23

MB.

D) Sir R. ALLEN, Baghdad. 1090 of DEC. 23

MB.

E) Sir R. ALLEN, Baghdad 1091 of DEC. 23.

MB.

F) Sir R. ALLEN, Baghdad. 1097 of DEC. 24

MB.

H) Sir R. ALLEN, Baghdad. 1096 of DEC. 24

MB.

J) Sir R. ALLEN, Baghdad. 1104 of DEC. 27. *WMA.*
5/1

K) Sir R. Allen, Baghdad, 1111, Dec 30.

MSE.
-
6/1

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FROM BAGHDAD TO FOREIGN OFFICE

Cypher/OTP

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E
251

Sir Roger Allen

No. 1085

December 23, 1964

D.3.32 p.m. December 23, 1964

R.6.20 p.m. December 23, 1964

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REC'D IN
ARC
EQ 1532/32(A)

IPC A/772.

For Ekeerdjian from Stewart.

With reference to your letter 215/2279 of November 30.

Wattari asked me to call on him yesterday (Tuesday) when he gave me the answer to my earlier verbal request for an assurance in accordance with the terms contained in your paragraph 2. Wattari said that while it was not possible for him to give a categorical assurance in the terms I had requested, he had nevertheless made enquiries of the Government members of the committee regarding their intentions and plans and he had not found anything which, in his opinion, would be objectionable to us. He said that this was as far as he could go but that he hoped mutual goodwill and tolerance would take care of the situation. He said that he did not think we would have anything to worry about. When I told him that any expenses we might incur relative to the exhibition would, of course, be taken up in operating costs, he replied that he could not see any objection to this as indeed it had been the Government who had asked us to participate.

2. If you agree, will you please telegraph confirmation urgently and advise Ekeerdjian to go ahead with plans as discussed here. We would then take parallel action at this end and begin to deal formally with the Government committee.

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with
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(Date)

Despatched

252

Draft.

Telegram to:—

Baghdad
No. 1474

(Date) 24.12.64

And to:—

[Security classification
—if any]

Conf

[Codeword—if any]

Address to

Baghdad

telegram No.

(date)

repeated for information to

Repeat to:—

En Clair.
Code
Cypher

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Recover cost
from I.P.C.

X/24

For Stewart from Ekserdjian.

Your A/772. Confirm

our agreement you proceed
formally with Government
Committee on basis of
Conversation with Wattari
Wattari

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RESEARCH DEPT.

KG
24/12

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from I.P.C.

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5.00
24/12
6.00

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FROM FOREIGN OFFICE TO BAGHDAD

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No. 1474

December 24, 1964

D. 6.50 p.m. December 24, 1964

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X/24

For Stewart from Ekserdjian.

Your A/772. Confirm our agreement you proceed formally with Government Committee on basis of conversation with Wattari.

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EQ 1532/32

254

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No. 1474

December 24, 1964

D. 6.50 p.m. December 24, 1964

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X/24

For Stewart from Ekserdjian.

Your A/772. Confirm our agreement you proceed formally with Government Committee on basis of conversation with Wattari.

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255

FROM BAGHDAD TO FOREIGN OFFICE

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DEPARTMENTAL
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Sir R. Allen

No. 1086

December 23, 1964

D. 8.08 a.m. December 26, 1964

R. 9.24 a.m. December 26, 1964

PRIORITY

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I.P.C.

For Dalley from Stewart A/773.

Your 474.

Joyce and I had a meeting yesterday (Tuesday) with Shawi and Haseeb. We did our best to persuade them to agree to our point of view in accordance with your paragraphs 1 and 2, but we could not get their agreement.

2. We then told Haseeb that, while we were well satisfied that he should give us the exemption we need in the first clause of an Amending Law, we nevertheless could not accept that part of a second clause which might require us to make a payment into a Central Fund, and that we should regard it as having been imposed upon us against our wishes. Haseeb replied that while he did not see any solution other than that which he had proposed, he did not want to initiate an Amending Law which would lead the Government into a further dispute with the Companies. However, he urged that we should give our final opinion quickly because if the Amending Law was to be delayed any further it might be impossible to get it through at all because the Consultative Assembly, which in future would deal with all legislation, was to be formed in the very near future. We accordingly left it that while we would be bound to disagree in principle with any payment to the Central Government, we nevertheless realized that the amendment proposed by Haseeb was the only one which the Government could get through quickly. We said that we might at least have to make a payment to a Central Fund, but we hinted that it would be more of a formality than anything else.

/3. Without

CONFIDENTIAL

1964

Baghdad telegram No. 1086 to Foreign Office

- 2 -

3. Without compromising our position we are seeing Shawi again today or tomorrow to ensure that at least the wording of the Exemption Clause is what we would like it to be, and that the wording of the Compensation Clause is as painless as possible in the circumstances.

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FROM BAGHDAD TO FOREIGN OFFICE

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DEPARTMENTAL DISTRIBUTION

Sir Roger Allen

No. 1089

D. 4.22 p.m. December 23, 1964

December 23, 1964

R. 4.51 p.m. December 23, 1964

CONFIDENTIAL

IPC A/7074.

EQ 1532/32(c)

For Dalley from Stewart.

Following is translation of letter dated December 22 marked confidential and very urgent addressed to I.L.P.C. and signed by the Minister of Oil under heading "Recruitment of Police to protect Oilfields".

2. Text begins.

In view of the importance of protecting the oilfields in Kirkuk, the Government has been obliged to allocate a large army force to guard them. Since the protection of these wells must continue permanently and as the retention of a large force of army personnel to protect these wells for a long period will affect their training and discipline, it has been decided to recruit 1000 policemen in addition to the present strength to take over the duties of protecting the said wells and the surrounding areas. It has also been decided to reconsider the present establishment of the Kirkuk oil police by increasing the number of police officers and inspectors in consequence of this increase.

Kindly advise us of your agreement thereto as soon as possible so that the authorities concerned may be able to take the necessary measures in this respect.

Ends.

3. Although it is not entirely clear from the above text I think there is no doubt that the company is expected to bear the cost of the additional 1000 policemen, as well as that of the officers and inspectors. I had been warned verbally by Wattari that this request was coming and he had said he would arrange an appointment for me to see the Minister of the Interior in order that I could state our case for not being saddled with this additional cost. However, he has sent the above letter / instead.

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Baghdad telegram No. 1089 to Foreign Office

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-2-

instead. I shall now ask to see the Minister of the Interior anyway and will do whatever is possible to avoid this additional and very burdensome commitment.

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FROM BAGHDAD TO FOREIGN OFFICE

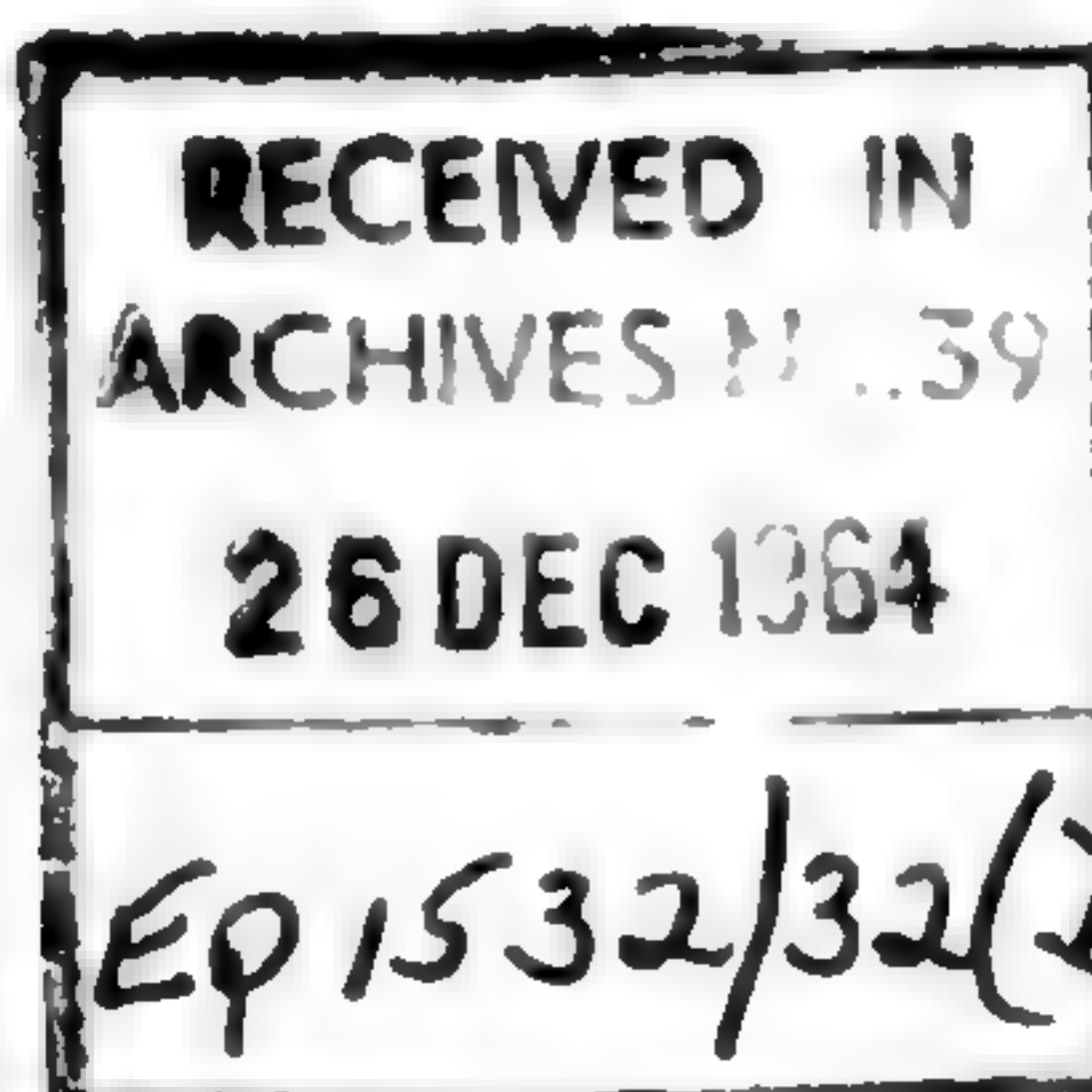
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Sir Roger Allen
No. 1090
December 23, 1964.

D. 5.10 p.m. December 23, 1964.
R. 6.15 p.m. December 23, 1964.



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IPC A/775.

For Ekserdjian from Stewart.

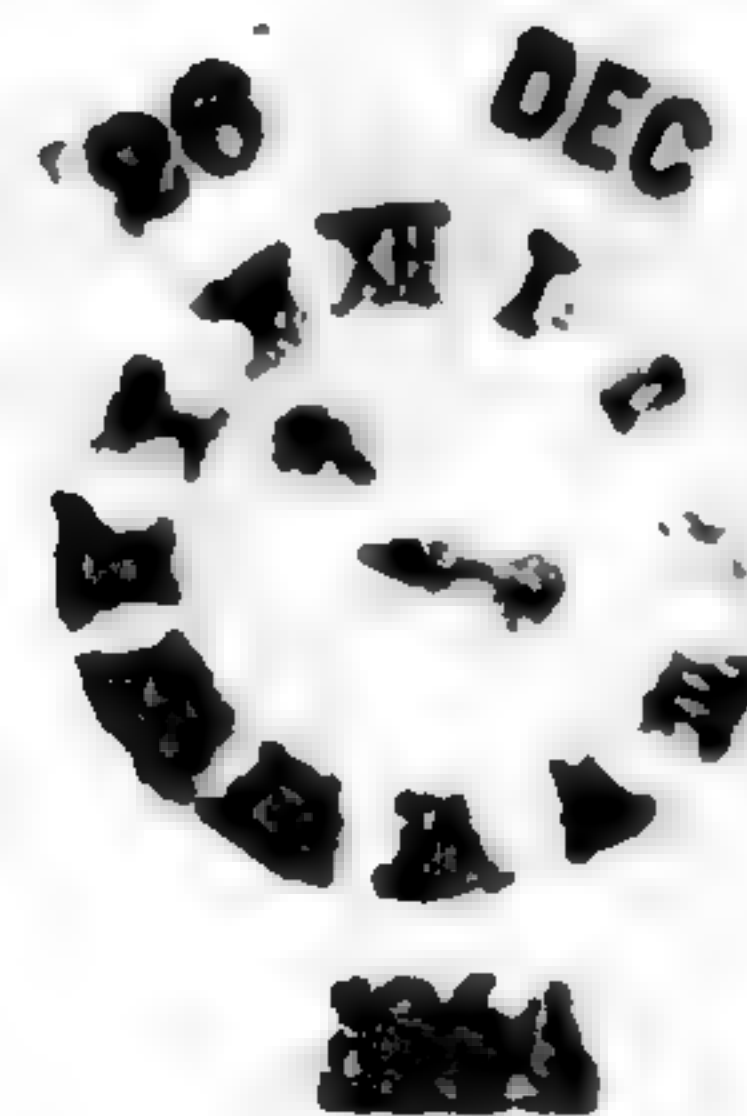
Personal for Ekserdjian.

Comm.

Please see Baghdad telegram No. 1751 the significance of which will no doubt be explained to you by Celense-Jones.

2. If and when the negotiations with the Government reach a point when draft agreements and other documents require translation we shall need someone of similar ability to come out here temporarily to help us deal with the matter and collaborate with Nasir Kirna. Such a person would of course need to be exceptionally good and I do not know of anyone in IPC or associated companies. Is it possible for you to find a suitable expert who could be made available at short notice?

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FROM BAGHDAD TO FOREIGN OFFICE

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Sir Roger Allen

No. 1091

December 23, 1964

D. 4.55 p.m. December 23, 1964

R. 5.40 p.m. December 23, 1964

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IPC A/776.

For Dalley from Stewart.

EQ1532/32(E)

Personal for Daley.

Reference paragraph 2 of my letter CR.215/132 dated December 16 addressed to Muller.

The chief engineer of Basra port, in a recent informal conversation with one of our Iraqi staffs in Basra, has stated that the port is buying an additional dredger in order to dredge the river up to Fao to a depth of 45 feet. (This sounds fantastic and he may have meant a depth of water sufficient to take tankers of 45,000 tons).

2. The chief engineer went on to say that he believed BPC had an idea of extending the deep water terminal and that the port authorities would object strongly to this and would take up the matter with the Ministry of Oil. He labelled the company as imperialist and added that it was probably in collusion with the Iranians in Abadan in order to "fix the Basra Port Authorities by not using the Shatt any more".

3. The above should be added to the problems already mentioned in paragraph 8 of my letter.

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FROM BAGHDAD TO FOREIGN OFFICE

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**DEPARTMENTAL
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Sir Roger Allen.

No. 1897.

December 24, 1964.

EQ 1532/32(F)

10.32 a.m. December 24, 1964

11.32 a.m. December 24, 1964

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I.P.C. A/677.

For Dalley from Stewart.

According to local newspaper reports Wattari is intending to hold a Press conference on December 29 on the subject of the OPEC resolutions adopted at Djakarta. The same reports state that these resolutions were approved by the Council of Ministers last week.

2. Please re-number our messages A/770 to A/776. They should have been A/670 to A/676 respectively.

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FROM BAGHDAD TO FOREIGN OFFICE

EQ 1532/32(H)

Cypher/OTP

DEPARTMENTAL DISTRIBUTION 262

Sir Roger Allen

No. 1096

December 24, 1964

D. 10.53 a.m. December 24, 1964

R. 12.12 p.m. December 24, 1964

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I.P.C.

For Dalley from Stewart.

A/678.

Further to my A/673 (despatched wrongly numbered as A/773)

1. Jayce and I visited Shawi to-day (Thursday) in order to go through with him the text of our draft amending law, the text being that originally proposed in paragraph 1 of my A/617 and subsequently amended in my A/663 and in agreement with London. We made it clear that in doing this we were not agreeing to the principle of paying part of the sum to a central fund, but said that if this represented the only solution we did not think it would lead to a serious dispute provided that the exemption clause of the amending law was quite categorical in the terms we had proposed.

2. We had not got very far in the discussion before it became clear that Shawi was attempting to water down the exemption clause almost to the point of the original proposal put to us by Hattari which was mentioned to you in paragraph 1 of my A/615. We made it very clear that we would not accept anything less than unequivocal exemption, and after a prolonged discussion Shawi agreed to show our draft to the Minister of Finance tomorrow, and he will then ask us to see him again. Shawi also suggested one or two other changes to our draft, but these were changes of form rather than of substance.

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FROM BAGHDAD TO FOREIGN OFFICE

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Sir Roger Allen

No. 1104

December 27, 1964

D. 9.05 p.m. December 27, 1964

R. 9.37 p.m. December 27, 1964

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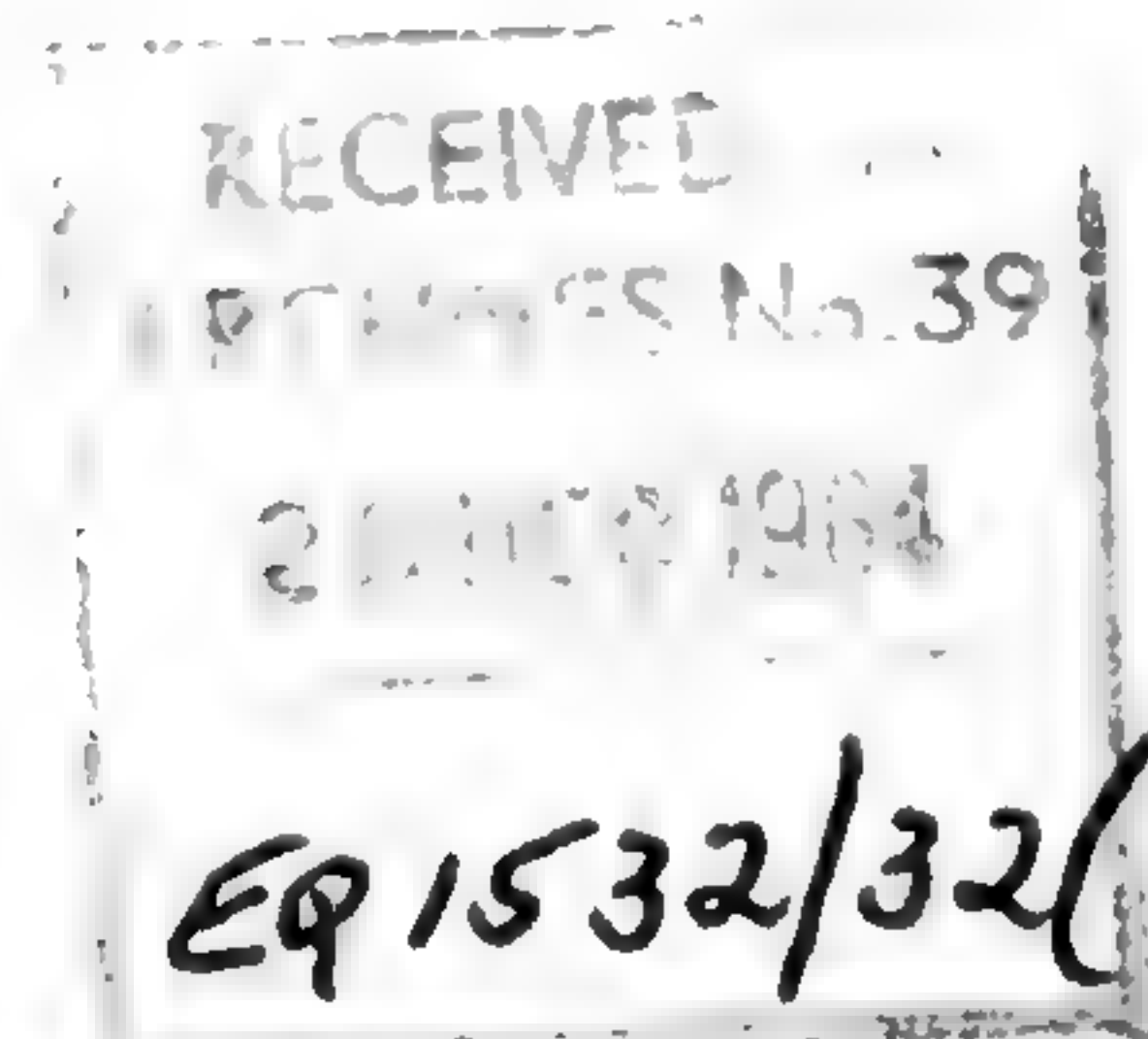
Following should reach I.P.C. by first thing tomorrow morning.

I.P.C.

For Dalley from Stewart.

A/679

Very urgent reference my A/678.



1. Joyce and I had a long meeting with Shawi and Haseeb this evening (Sunday).

2. Haseeb started by saying that he had been informed by the Prime Minister that there was an understanding between the companies and the Government that the amendment to Law 101 was part of a package deal and that in return for the amendment the companies would facilitate the conclusion of the main negotiations on other outstanding issues. When I denied this Haseeb had a long telephone conversation with Wattari who apparently confirmed my denial.

3. Haseeb then produced a draft in English of his counter-proposal for an amendment to Law 101. After much discussion and argument resulting in some changes to his original text, Haseeb's draft reads as follows:

"Article 3.

(a) All juristic persons producing in, distributing, refining or exporting from the Republic of Iraq any commercial transaction of which profits are derived from the sale of petroleum or other hydrocarbons produced in and exported from Iraq or the sale of rights or interests pertaining to such petroleum or other hydrocarbons are exempted from Article (1) and (2) of this Law.

(b) All juristic persons engaged in the petroleum industry in Iraq including those referred to in paragraph (a)

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/above

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Baghdad
No. **1477**

(Date) **28 Dec**

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repeated for information to _____

[A-B attached]

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(R/Clark)

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(Date) **28-12-264**

Despatched **8:25 pm**

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29 DEC 1964

EO Confidential.
1532/32

A ~~Cable to Baghdad~~

~~No. IPC. 475.~~

~~Date: 28th December, 1961.~~

URGENT - For Stewart from Dalley

Your A. 679 - In view of the shortage of time, I sent you an abbreviated plain language telegram which I trust you understood.

2. It was agreed that you should first put it to Haseeb that while we cannot agree to the proposed amendment, we do not envisage it becoming another major point of dispute if it was promulgated.

Secondly, if it is a question of giving our agreement or not getting the agreement through, then we must give our agreement.

3. If in time, would like the following changes made in the text. In Article 3 B instead of (quote) shall each allocate for their workers (unquote) substitute (quote) shall each allocate for the benefit of their workers (unquote) (stop) In the same paragraph delete the words (quote) in the manner and (unquote) (stop). The purpose of these amendments is to try to avoid the tax implications which are otherwise evident, but we appreciate you may not be able to achieve these changes.

~~B~~

end.

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(Date) 24/12 266

Despatched 1724

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30 DEC 1964

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(Date) 29 Dec

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29/12

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29/12/64

Cable to Baghdad

A No. IPC/476

Date 29th December, 1964.

For Stewart from Dalley URGENT

Reference the OPEC offer certain changes have been made in the agreements implementing the offers to other countries, to allow more time for ratification after signature.

2. While this may be of no interest to Iraq which has not accepted the offer, we feel that Iraq should be informed officially to ensure we maintain principle of making comparable offers to all concerned.

3. Please therefore inform the Iraq Government as follows

Quote - Reference our letter of offer No. 3643/B dated 13th November, 1964, certain changes have been made in the draft formal agreements implementing the similar offers of the same date to other countries to allow more time for ratification. The effect of these changes is that if in a particular country the formal agreement has been signed by the parties to it on or before 31st December 1964 and ratified on or before 26th January 1965, the Agreement can still be made effective from 1st January 1964.

Accordingly we are writing to inform you of the above and to confirm that we are willing to amend the draft supplemental agreement, referred to in our letter CA/6-21/12208 dated 3rd December 1964, to the same effect. Unquote.

4. For your personal information there may be other changes of which I will inform you as soon as I can. J B

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FROM FOREIGN OFFICE TO BAGHDAD

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No. 1479

December 29, 1964

D. 5.24 December 29, 1964

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No. IPC/476

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4. For your personal information there may be other changes of which I will inform you as soon as I can.

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No. 1479

December 29, 1964

D. 5.24 December 29, 1964

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No. IPC/476

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No. 1477

December 28, 1964

D.8.25 p.m. December 28, 1964

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No. IPC.475.

Urgent - Per Stewart from Dalley.

Your A.679 - In view of the shortage of time, I sent you an abbreviated^x plain language telegram which I trust you understood.

2. It was agreed that you should first put it to Haseeb that while we cannot agree to the proposed amendment, we do not envisage it becoming another major point of dispute if it was promulgated. Secondly, if it is a question of giving our agreement or not getting the agreement through, then we must give our agreement.

3. If in time, would like the following changes made in the text. In Article 3B instead of (quote) shall each allocate for their workers (unquote) substitute (quote) shall each allocate for the benefit of their workers (unquote) (stop). In the same paragraph delete the words (quote) in the manner and (unquote) (stop). The purpose of these amendments is to try to avoid the tax implications which are otherwise evident, but we appreciate you may not be able to achieve these changes.

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December 28, 1964

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Urgent - For Stewart from Dalley.

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CONFIDENTIALBaghdad telegram No. 1104 to Foreign Office

-2-

above and those whose business is non-profit making shall each allocate for their workers and employees working in Iraq an amount in respect of each year equivalent to eight and one third per cent of the total basic wages and salaries received during such year by such workers and employees, which will be distributed to their workers and employees in the manner and in the proportions described in Article 1 (b) (1), (2) and (3) of this Law.

Article 4. This amendment shall be applicable from the same date of the application of Law number 101"

4. The more important points of argument were as follows:
 - (a) Haseeb was unwilling to give exemption from the whole of the Law as we requested, but only from Article 1. However, after further discussion, he stated he was prepared to include Article 2 also. In his and Shawi's view complete exemption would in some way be admitting that the companies were not liable to Iraqi legislation in general. We opposed this and reiterated our case for complete exemption from the whole Law (with the exception of our own proposed Article [grp under 93 (b)])
 - (b) He refused to discriminate between Arab and foreign employees on grounds that there were foreign employees working in the public sector of the industry who were entitled to benefit also.
 - (c) He refused to make specific mention that the distribution and allocation would be by the companies themselves although he admitted that this was the intention. The phrase, "which will be distributed to their workers" was, therefore, left in the passive tense.
 - (d) He omitted to include those whose profits derived from "sale of rights or interests", but after further explanation by us this was reinserted.

/5. When

CONFIDENTIAL

Baghdad telegram No. 1104 to Foreign Office

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5. When it appeared that we had reached stalemate particularly in regard to the issue described in my sub-paragraph 4 (a) above, I asked Haseeb what was the time factor as regards the enactment of an amending law. He said that the meeting of the Council of Ministers to be held on Wednesday December 30 would be the last opportunity to get approval to such a law before the Consultative Assembly came into operation. After further discussion, during which I made it clear that reference to London was necessary, it was arranged that I would let Shawi have our final views on Haseeb's draft not later than Tuesday morning. When I said that I thought that the difference of view vide sub-paragraph 4 (a) above might be too much of an obstacle to agreement, Haseeb replied quite firmly that for his part he would not sponsor an amending Law which did not restrict the exemption to Articles 1 and 2 of Law 101.

6. Please telegraph me your instructions very urgently. If we reject Haseeb's draft or if we say that an amending Law in such terms would lead to a dispute, then my impression is that Haseeb will wash his hands of the matter and we shall not get any amending legislation in the foreseeable future. In my own view, as seen from the point of view of the strictly local interests of I.P.C. enterprise, it would be better to have an amendment to the Law in accordance with the above quoted draft which would largely give us the effective exemption we require. If you wish, I could put it to Haseeb that while we cannot agree to such an amendment we do not envisage it becoming another major point of dispute if it was promulgated, although I am not certain that he would proceed with the matter if I made such a reservation. I would, therefore, appreciate your clear direction as to how far I can go in "agreeing" or otherwise to his proposed draft, bearing in mind that Haseeb might hold out for agreement or nothing.

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Sir Roger Allen

No. 1111

December 30, 1964.

EQ 1532/32DK 8.42 p.m. December 30, 1964.

R. 10.00 p.m. December 30, 1964.

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IPC.

For Dalley from Stewart.

A/681.

My A/677, paragraph 1.

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31/12

1. The resolutions adopted at Djakarta were published in full by the Press here on December 28, together with a brief official comment that Iraq had rejected the companies' offer on the grounds that it did not meet Iraq's minimum requirements and that the Government considered that some provisions in the offer constituted a clear infringement of its sovereignty.
2. Wattari enlarged on the above in a statement made at a Press conference yesterday (Tuesday) which is prominently reported in today's newspapers under such headings as "grossly unjust". He referred in particular to the Government's objections as already known to us and contained in the Ministry of Oil's letter No. 770 dated December 10. He described the most favoured party condition as "pure poison". The arbitration condition he described as being the most serious and a dangerous one and added "but the companies cannot devour the right of the Government. This right has been formed as from the beginning of 1961 and we know how to protect our rights."
3. Following his statement Wattari answered questions. When asked about forthcoming steps he is reported as having said "these are our responsibility so as to safeguard the country's right. We shall obtain what other states have obtained. We have our ways through which we can have what we want. It's neither in the companies' power nor in their interest to deny us this right." When asked whether the INOC had received any offers for oil exploitation Wattari replied that a number of offers or manifestations of readiness had been received from different companies among which were certain Japanese firms as well as some independent companies which had offered or expressed their readiness to enter into joint exploitation with INOC on bases that conformed with the State's Oil policy. In answer to another question Wattari said that negotiations /with

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with the oil companies had been going on for some time, and that hope was still being maintained of reaching a satisfactory solution to the problems which had arisen initially in 1955, and that attempts were continuing "with a strong hope of reaching suitable results in conformity with bases proclaimed on previous occasions."

4. Local editorial comment has naturally been in full support of the Government, but the companies are not attacked as seriously as might have been the case.

5. Full translations of all the above will be mailed to you at first opportunity.

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